

MOTION BY SUPERVISOR MARK RIDLEY-THOMAS

SEPTEMBER 25, 2012

FIVE SIGNATURE LETTER TO CITY OF COMPTON

On July 24, 2012, the Compton City Council adopted a resolution authorizing its City Manager to negotiate a contract with the Los Angeles County Auditor-Controller (A-C) to conduct a forensic audit of the City of Compton (City). This action was precipitated by the withdrawal of the City's prior independent auditor, Mayer Hoffman, McCann, CPAs (MHM), from its engagement and issuance of a disclaimer of opinion. To date, the City does not have audited financial statements for Fiscal Year (FY) 2010-11, which may create issues with the City's creditors. MHM withdrew primarily because the City's Mayor made allegations of waste, fraud, and abuse within the City government, but would not cooperate with the auditor's review of those allegations.

In response to the City's resolution, the A-C initiated meetings with the City's Mayor, Manager, Treasurer, Attorney, and Controller, as well as MHM, and conducted a cursory review of the City's unaudited FY 2010-11 financial statements. Based on this review, the A-C has determined that it is not in the best interests of the County of Los Angeles or the City for the A-C to conduct a forensic audit at this time. Instead, the

-MORE-

MOTION

MOLINA _____

RIDLEY-THOMAS _____

KNABE _____

ANTONOVICH _____

YAROSLAVSKY _____

**MOTION BY SUPERVISOR MARK RIDLEY-THOMAS
SEPTEMBER 25, 2012
PAGE 2**

forensic audit should be completed in coordination with a financial audit, and the City should focus on finding and hiring a new auditor to complete these two tasks.

The A-C's review also found that the City appears to have serious financial issues which, if not immediately addressed, could lead to potentially negative outcomes, including default on the City's obligations, bankruptcy, or disincorporation. While the A-C has indicated a willingness to assist the City in hiring a new auditor that can later be retained by the City, the City's officials and staff must understand that if they do not cooperate with the next independent auditor, the new auditor may also be forced to withdraw without issuing an opinion. Such a withdrawal could further imperil the City's financial situation. To ensure that critical services to Compton's residents are not impacted, the City needs to take immediate action to address its financial issues.

I THEREFORE MOVE THAT THE BOARD:

1. Send a five-signature letter to Compton's City Council, Mayor, and City Manager, which would:
 - a. Notify them that the Los Angeles County Auditor-Controller (A-C) will not be conducting a forensic audit of the City;
 - b. Inform them that the A-C is willing to assist the City in searching for an independent audit firm that can later be retained by the City to conduct a forensic and financial audit of the City; and

**MOTION BY SUPERVISOR MARK RIDLEY-THOMAS
SEPTEMBER 25, 2012
PAGE 3**

- c. Advise them of the potential consequences of failure to fully cooperate with the audit firm they ultimately hire to conduct the forensic and financial audits.
2. Instruct the A-C, should the City accept the offer, to assist the City in searching for an independent audit firm that can later be retained by the City to conduct forensic and financial audits.

###